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My country and I are honored by your naming me as chairman of the panel which deals with the important economic relationship between consumers and manufacturers. It is a crucial relationship, and one with which I have been concerned for many years.

I confess that I was intrigued by the conference brochure's opening sentence describing this session. It suggests the thesis that buyers, because of their influence on manufacturing decisions, have attained a dominant position vis-a-vis sellers, at least with regard to certain products. If that is true, it is also probably a fact with which few buyers would agree.

And if it is true, it is not all bad.

Surely if markets are going to work well, consumers should and must have the power to influence market decisions.

In a perfect market situation, the interests of producers and consumers should achieve a sort of natural balance. The difficulty arises in achieving that perfect market situation and sustaining it for any length of time. Perfection is hard to come by in this world so we must do what we can without it.

Lacking a perfect market, governments act to balance and to benefit the interests of producers and consumers. They do so usually at the urging of both groups. When government becomes involved in any marketing system, I believe we must proceed from the basic assumption that, because government actions inherently involve the public interest, the public must be represented in the decisionmaking process.

It is important that you know the perspective I bring to consideration of the problems before us.

In the United States, we have taken the first steps toward formulation of a food policy rooted in nutritional adequacy. It assumes that production policies should be shaped by nutritional needs.

Remarks by Carol Tucker Foreman, Assistant Secretary for Food and Consumer Services before the International Dairy Congress in Paris, France, Wednesday, June 28, 1978

It is hardly a radical notion. On the contrary, it would be ludicrous to suggest that anyone would produce food simply for the sake of production.

In my view, then, the goal of U.S. food policy should be to assure an adequate supply of safe, high quality food at reasonable prices. It should also provide a decent return on investment to producers and sellers, while assisting those at home and abroad who are unable to attain adequate nutrition, no matter how reasonable the price.

Against this background, let me proceed to consideration of the nine "principal problems" we have been asked to consider. They are:

- * whether there is a need for information labeling,
- * the value of consumer committees within companies,
- * the reasons for bans on the use of food additives,
- * the use of public support for obtaining consumer input,
- * usefulness of consumer product testing,
- * the relative advantages of professional codes of ethics,
- * the need for new restrictions on new product development,
- * the legitimacy of merchandising techniques, and
- * the need for price regulations.

Each "problem" is worthy of detailed discussion, in the interests of time and clarity, let me discuss them under three general headings: (1) economic regulation; (2) safety and quality regulation, and (3) consumer representation.

The need for price regulation is among the problems listed for this panel.

In the United States our free enterprise system has been in fact for many years a mixed economy of private production and public regulation. Regulation, for many reasons, has come to play a prominent role in American markets, and must certainly be recognized as a considerable factor in any important marketing decision.

For example, economic regulation in the food industry has existed in the U. S. and elsewhere for many years. Many countries have experimented with retail price controls, including from time to time the United States. Generally, they were both unpopular and ineffective. Producers frequently responded by shifting their resources to a non-regulated product.

Consumers, who at first welcomed price regulation, often came to view it with distrust. It became apparent that when prices were held artificially low, distribution of the reduced quantity was not equitable.

In the dairy industry, both in the United States and elsewhere, the more common form of regulation has been to hold prices at artificially high prices, rather than low. This has been done to bring stable or increased income to dairy farmers. The action assumes that economic failure, inadequate production and/or insufficient competition benefits no one, neither producer, nor consumer. It has meant higher retail prices, of course. In addition, it has brought on the unintended consequences of overproduction and distribution problems.

A food and nutrition policy of the type I have described would not end economic regulation in the dairy industry, but it might very well help us to develop a system that would improve the income of low-income dairy farmers without stimulating overproduction or generating extremely high retail prices.

In addition, some countries have developed policies to keep retail food prices low and farm prices high. The basic problem with such policies is that they tend to help the wrong people as well as the right people. Poor people are helped but rich farmers and rich consumers are helped at the same time.

Other types of economic assistance might be more appropriate.

One system could be a variation of the American food stamp program, which was initiated to make decent food more accessible to poor households. The program is by no means perfect, but it has increased food consumption in low income households. It has limited the benefits to low-income households. And it has done so through regular market channels, so that price signals have not been short circuited.

Food stamp recipients, receive enough aid to supplement regular food purchases in order to make a nutritionally adequate diet. No general retail price regulation is involved. Low income consumers have the same choices as everyone else, and food market resources can respond in kind. It is a step, towards the sort of market interplay we all desire.

The second kind of regulation which concerns us is safety and quality regulation. Points 1 and 3 and 7 of the program fall into this category. This type of regulation aims to complement the market system. The assumption is that, in an imperfect market system, consumers and producers must be protected against physical as well as financial hazards which society deems too great to be tolerated. The rationale is as simple as the homely American saying that "An ounce of prevention is worth a pound of cure."

Safety and quality regulation in my country are growing in direct ratio to the complexity of the food production and processing system. We have learned, as you have, to make things look good to us and taste good to us. We have not yet determined that everything that looks good and tastes good is good for us as well. But we are trying.

The basic charter of American food law is quite rigid. It dates back to 1906 and directs a ban on the sale of those products which contain substances which may be harmful to health. Today, chemicals are being used heavily and frequently in our food. The effects of these chemicals on human health are of great concern.

A food policy which has as one of its goals to assure safe and high quality food must address this issue. And it must do so with rules that are strong both in substance and application. There is no reason to ban all additives. There is every reason both by logic and under our law to make certain additives are not harmful to health.

The U.S. government is attempting to do just that. We have proposed to reduce by 2/3rds the amount of sodium and potassium nitrite used in bacon. I believe we will move to reduce nitrites in other cured meats as well. We are improving enforcement against chemical residues in meat and poultry products. Our Food and Drug Administration has proposed restrictions on use of antibiotics in animal feed. The burden of proof must be on those who wish to use additives to prove them safe.

Movement in the direction of improving food safety is inescapable, no matter the accompanying controversy. Government can and should however act to reduce the adverse impact of safety regulations on the regulated industry. This can be done through technical assistance and/or economic incentives.

Food quality is a slightly more slippery subject. New processes are making possible new products which mimic traditional products. I do not believe that it is wise public policy to ban from sale foods that are safe, of decent quality, and accurately labeled as to content. My strong inclination is to let foods such as these take their place, and their chances, in the marketplace.

However we must make certain that consumers are adequately informed about the nature of these foods. Taking their place in the market does not mean in my mind that substitute foods should be allowed to assume the names of their traditional counterparts consumers must be able to distinguish between traditional and innovative products.

Markets cannot be expected to work well without a complete information base. Those who support the concept of free markets should be the strongest supporters of proposals to assure that information be accurate and complete. Consumer sovereignty has little meaning, it seems to me, without reasonably accurate product information.

In the United States, The Department of Agriculture, the Food and Drug Administration, and the Federal Trade Commission are now embarking on hearings to determine the most effective means of labeling food products. I'm sure the actions of many of your countries will be a strong influence on our actions in this area.

There are always the problems, however, that people may not read labels carefully, or that their purchases may have been largely predetermined, or at least heavily influenced, by media advertising campaigns. Our government agencies are now in the process of developing communications techniques that will utilize the full range of media, marketing, promotional, and educational mechanisms to convey product information to consumers. We do this in the belief that advertising is an extension of the product label.

Finally, how do we provide for public participation in government decisions which affect the public? From the days of town meetings to the more recent proliferation of citizens committees and advisory boards, in one way or another we've tried a large number of ways. We've had varying degrees of success. The election of government leaders who endorse or reject certain government actions is still the most direct method to determine public sentiment.

But the method is far from perfect. In the United States, regulatory decisions of immense magnitude are, of necessity, made by unelected officials who are rarely subject to public scrutiny and never subject to the ballot box. It is, without doubt, regulation without representation. It is also probably inescapable in a highly technological, heavily populated, complex and diverse society.

President Carter has addressed this very real problem. He proposed creation of a Consumer Protection Agency. Our Congress under heavy business pressure rejected this. The President has proposed other devices as well. One of these is a recent Executive Order on Regulation. He declared that government agencies must give advance notice of their intention to propose regulations; that the notice must be widely publicized; that public hearings must be conducted to gather comments from the public; and that all regulations must be subject to regular review to determine whether or not they should be continued.

President Carter is following the words of Will Rogers, the great American humorist, who said that "the public is the only critic whose opinion is worth listening to."

We in government cannot guarantee that public opinion will be heard without fail. But we can do the next best thing -- open up the process so that citizens have eyes and ears within the system. Secretary Bergland has announced that he will create within USDA an Office of Public Participation -- to implement the President's directive, and to accelerate public involvement in USDA actions.

There are two reasons why public participation in government decisionmaking is not only desirable, but essential. First, such participation gives legitimacy to the proposed action by assuring that decisions are not made in ivory tower isolation, with little thought given to economic or human consequences. Governments don't decide that way on purpose, of course. But it is easy to become so entangled in our own expertise that we can regulate without having adequate concern for the people.

Second, public participation in the governmental decision process reduces the possibility that important facts will be overlooked.

Acquiring public views on extremely controversial issues isn't the big problem. Those issues tend to build their own public participation. When the United States Senate was debating the Panama Canal Treaties, for example, virtually everyone in the country had an opinion and hundreds of thousands expressed them.

Learning the views of the public on issues that are less emotional, and more technical, is another matter -- and a difficult one. Consumers know that they spend large amounts of money on milk. But how many consumers consumers know how and why public milk pricing decisions are made? They don't know because no one told them. They don't know because such decisions are generally made without real public debate.

Another example is revising procedures for poultry inspection. This will never make big headlines, but such actions can have a substantial impact, positively or negatively on public health. But, in the U.S., if Walter Cronkite doesn't tell us, "That's the way it is," large segments of the population don't know whether it is or is not.

Densely populated and highly developed societies require new initiatives to discover the will of the people. The U.S. Department of Agriculture is taking those initiatives. Our Office of Public Participation will develop mechanisms to first inform all interested groups of impending policy decisions or revisions, and then to provide them with an opportunity to have their views considered.

Obviously, some segments of the public already are participants in our decisionmaking -- farm groups, retailers, food processors. But there are other "publics," and they frequently feel overregulated and underrepresented. It is these people -- individuals, small farmers, public interest, consumer and small business groups -- that we mean to reach. They should have the chance to be heard. Government should have the chance to listen.

The Office of Public Participation will publicize the Department's intended actions through press releases, television announcements and appropriate group mailings. It will arrange for public hearings on issues of public concern. It will structure, or re-structure, advisory groups to broaden the range of representation. If necessary, we will provide financial aid to groups or individuals. But this will be done only if it can be shown that their participation would reasonably be expected to contribute substantially to a full debate and a fair determination of the issues. They would also have to demonstrate that lack of financial resources would otherwise make participation impossible.

Finally, the Office of Public Participation will coordinate departmental efforts in the resolution of citizens' complaints about given actions and decisions.

It is our belief that public participation will increase equity and effectiveness in government regulation of the marketplace. Hopefully, the marketplace will then, in turn, serve both producers and consumers more efficiently.

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